

| Executive summary

Understanding the concept of social exclusion is critical for assessing the transformations that have taken place in the post-socialist countries of Europe and Central Asia (ECA).¹ Social exclusion deprives people of the opportunity to participate in economic, social and civic processes, and limits their ability to lead productive, creative lives in accordance with their needs and interests. Socially excluded persons find themselves confined to the fringes of society. To paraphrase Adam Smith, they are not able to appear in public without feeling shame. Social exclusion occurs in part because growth does not always translate into increased job opportunities, improved social services, and greater opportunities for civic participation.

The changes that followed the collapse of the socialist system have fundamentally redefined people's lives, values and behaviour. Transition has brought freedoms and choices to many, but deprived many others of the ability to live long, healthy and productive lives. These deprivations have wider social consequences. When a medical commission in Moldova rejects a 44-year-old woman's application to work on the grounds that she has rheumatic arthritis; when a municipality in Kazakhstan denies a rural resident the chance to commute to work by cancelling a bus route; or when schoolchildren in the former Yugoslav Republic of Macedonia shun an orphan because they think she is dirty, society as a whole loses. Not only do the victims suffer increased risk of social exclusion, but also society experiences a loss of human resources and productive gains. If high levels of social exclusion lead to increased social tensions, society must also count the cost

of added social protection, policing and prisons. A society with higher levels of social exclusion is not only less vibrant and cohesive, but also less safe, productive and dynamic. Devoting efforts and additional resources to enhancing social inclusion ought therefore be a critical policy priority.

Human development and social inclusion: key linkages

This report confirms that income-based measures of poverty are insufficient for capturing the depth and breadth of the deprivations in the region today. Analysing the transformations through the broader prism of human development becomes critical. Human development assesses people's well-being beyond income and includes people's ability to live long, healthy and creative lives; to advance other goals which they have reason to value; and to engage in shaping development equitably and sustainably on a shared planet.

This report integrates the social inclusion and human development – two people-centred concepts that governments increasingly view as integral for addressing persistent poverty and shortfalls in education and health. While human development is recognized as the goal of development, social inclusion is important because, as a process for removing the obstacles preventing people from realizing their capabilities, it offers a map for how policy can be employed to achieve higher levels of human development.

Given that people are the centre of development, this report breaks new ground by

¹ For the purposes of this report, the 'ECA' region – or simply 'the region' – refers to the former socialist countries that have undergone a dramatic political and economic transformation since 1989-1991. This report does not explicitly refer to Cyprus, Malta and Turkey – which are also covered by UNDP's Regional Bureau for Europe and the Commonwealth of Independent States – as they do not share the socialist legacy or the experience of transition. However, the report's underlying analytical framework and many of its conclusions are relevant for these countries as well.

2/ The survey, which was carried out in 2009, was cost-shared by the UNICEF Regional Office for Central and Eastern Europe and the Commonwealth of Independent States. In Serbia the survey sample included internally displaced persons as well as members of the Roma minority. The survey was carried out by TNS Slovakia and its local branches in the countries covered and employed the same methodology for all countries, thus permitting cross-country comparisons. Qualitative information from focus-group discussions and individual interviews with vulnerable groups complement the quantitative data and provide valuable insights into the experiences of socially excluded persons that are difficult to capture through traditional survey techniques. Finally, important information comes from seven country studies (carried out in the six surveyed countries and in Uzbekistan). These have been prepared in close consultation with national stakeholders (government, civil society, academia) who helped to shape both the regional and country reports.

looking at social exclusion from the perspective of risks faced by individuals—rather than risks faced by vulnerable groups. A key message of this report is that anybody can be excluded. We assume that individuals have a number of characteristics that can put them at risk of social exclusion. We define those characteristics as social exclusion risks. Being disabled, a workaholic, or inadequately educated are just a few characteristics that can put a person at risk of social exclusion.

Not all risks produce social exclusion. Whether social exclusion occurs depends how risks interact with ‘drivers’ such as institutions, norms, policies and behaviours. For example, anti-discriminatory legislation can decrease a disabled person’s risk of social exclusion. Legislation banning gay marriage increases a homosexual couple’s risk of social exclusion. Peers who don’t value knowledge increase the risk of social exclusion for a bright child who is willing to study. These are just a few examples illustrating a larger theme: social exclusion is not just a problem for disadvantaged or marginalized populations. It is a concern for everybody, as everybody faces risks.

The local context also influences individual risks. Local factors that could augment individual risks and affect social exclusion include available employment opportunities, distance to urban centres, the state of basic infrastructure, or whether a locality has been hit by conflict or environmental degradation or both. Individual risks could result in social exclusion if a member of the majority population lived in an area dominated by an ethnic minority, particularly if that locality had a history of ethnic conflict. Likewise, a person who works to fight corruption yet whose mayor takes bribes might find that his risk of exclusion could be higher.

The report addresses the process of social exclusion in its entirety, integrating the individual vulnerabilities and risks, the drivers of exclusion and the specifics of the local context into a comprehensive social exclusion chain. Addressing its individual components only will not bring about tangible and lasting results. In order to achieve social inclusion, concerted interventions targeted at the entire social exclusion chain are necessary.

Measuring social exclusion

The report not only advances the concept of social exclusion, but also proposes a new approach for quantifying it. The approach is reflected in the Multidimensional Social Exclusion Index, which captures the complex nature of social exclusion. It is based on the multidimensional poverty methodology of Alkire and Foster which has been employed in UNDP’s 2010 Global Human Development Report. The index assesses the status of people and their households along three dimensions: economic exclusion, exclusion from social services, and exclusion from civic participation. The social exclusion index employs 24 indicators – eight for each dimension – that reflect the ways in which people are denied access to labour markets, education and health systems, as well as to civic and social networks. An individual is defined as socially excluded if he or she is deprived in at least nine indicators. Since a dimension contains only eight indicators, to be considered socially excluded a person must be deprived in at least two dimensions. The index reflects both the share of people that experience at least nine out of 24 deprivations, and the depth (how many deprivations socially excluded people experience on average).

The report then applies this methodology through nationally representative household surveys that were conducted in 2009 in the framework of a regional survey,² hereafter referred to as the ‘Social Exclusion Survey’. Some 2,700 persons were surveyed in each of six countries: Kazakhstan, the Republic of Moldova, Serbia, Tajikistan, the former Yugoslav Republic of Macedonia, and Ukraine. Such analysis is important because in order to design more socially inclusive policies we must first understand the breadth and depth of social exclusion.

The Multidimensional Social Exclusion Index introduced in this report is relevant beyond the six countries covered by the survey. The measurements can be adapted to national circumstances. The indicators selected are not etched in stone; rather, they are intended to be a point of departure for national debates on how best to measure social exclusion. Nationally relevant indicators should be selected in an inclusive and participatory way. The index can also contribute to EU-level analysis of social exclusion, which has focused mainly on income-based measures of poverty and social exclusion.

What the new methodology reveals

This methodology shows that social exclusion is pervasive in the Europe and Central Asia region. According to the analysis, one out of every three persons is socially excluded. One out of 10 is socially excluded in the former Yugoslav Republic of Macedonia, while seven out of 10 is socially excluded in Tajikistan. Furthermore, the report confirms the hypothesis that economic indicators of social exclusion only partly explain this phenomenon. Two other factors – lack of access to social services, and lack of access to civic and social networks – contribute equally to social exclusion.

Diverse headcounts but similar patterns

Surprisingly, the analysis reveals that, despite the diversity of the region, the depth of social exclusion is remarkably similar across the six countries surveyed. In other words, a person in the former Yugoslav Republic of Macedonia faces the same intensity of social exclusion as a socially excluded person in Kazakhstan. The analysis also suggests that people across countries adopt similar coping strategies to deal with their exclusion.

The report also finds that jobless growth, which has characterized the region in recent years, has created a layer of discouraged workers (particularly women and middle-aged persons) who have had to take jobs in the informal sector. Such ‘shadow economy’ employment fails to provide health or pension benefits, the lack of which can lead to poorer education, health and nutrition. Vicious cycles can result. Lower education levels can lead to diminished job opportunities. Lack of transportation in remote villages can lead to a diminished ability to take part in political decision-making to address the lack of transport. Such processes can create an entrenched underclass, such as we see with Roma.

According to the survey, people don’t trust their neighbours. Nor do they trust government institutions, which are supposed to protect their interests. They increasingly rely on informal channels, a practice that diminishes transparency and may encourage corruption. Such patterns hinder effective and responsive public administration – a prerequisite for inclusive societies.

Who are most at risk of exclusion?

Applying the methodological framework described above and the social exclusion measurements, the report goes beyond an aggregated headcount of excluded populations and brings the reader closer to answering the question, ‘Who are the socially excluded?’ The data suggest that in the case of elderly persons, children, youth, rural dwellers, and of the unemployed and undereducated, the probability of individual risks leading to social exclusion is much higher than for the population as a whole. The elderly experience levels of social exclusion that are often twice as high as for the country as a whole. In Ukraine, for example, social exclusion among the elderly is 43 percent, some 23 percentage points higher than the national average. In the former Yugoslav Republic of Macedonia, social exclusion among the elderly is 22 percent, some 10 percentage points higher than the national average. On average, 42 percent of children (aged 0-15) and 35 percent of youth (aged 15-29) live in households that are socially excluded in the six countries. The share of socially excluded children is particularly high in Tajikistan (73 percent) and the Republic of Moldova (47 percent). Worryingly, children experience the deepest levels of social exclusion.

Likewise, social exclusion among the unemployed is substantially higher than for the population as a whole. Social exclusion among jobless workers is 12 percentage points higher than among the rest of the population in most countries of the region. The rate of social exclusion among people with low levels of education is two times higher than the overall rate of social exclusion in Ukraine, Serbia and the former Yugoslav Republic of Macedonia.

The social exclusion index does not indicate significant gender differences among the socially excluded, but this doesn’t mean that women and girls are immune to higher social exclusion risk. The absence of a significant difference can be attributed to the way the index was constructed, as it was largely based on household-level deprivations which do not factor in intra-household gender disparities.

While people in all six countries face a broadly similar depth of social exclusion *on average*, members of some groups are more deprived than others. Such groups

can be defined both by ethnicity (such as Roma) or status (internally displaced persons, refugees, the homeless). In Serbia, the survey was expanded to include Roma and internally displaced persons—with striking results. The magnitude of social exclusion among Roma is 86 percent, and 56 percent among internally displaced persons, compared with 19 percent for the rest of the population.

The role of values

The report suggests that values and behaviour matter. The data permit us to correlate the exclusion of people with disabilities with the local community's tolerance for diversity. When a person with disabilities lives in a community that tolerates inclusive education, the magnitude of exclusion is only 16 percent. However, this figure rises to 30 percent when the community is less open to inclusive education. By contrast, tolerance of corruption worsens exclusion outcomes. The magnitude of social exclusion is nine times higher in villages and seven times higher in small towns where the majority of respondents tolerates informal payments.

Spatial aspects of social exclusion and mono-company towns

Social exclusion has clear spatial dimensions. The farther people live from urban centres, the greater the social exclusion. The percentage of socially excluded persons in rural areas is almost four times that of persons in urban areas. Living in rural areas is a massive disadvantage. With fewer job opportunities and networks and less access to goods, social services and transport, many rural dwellers choose to migrate to urban areas, a phenomenon that does not always benefit society at large.

The report finds that social exclusion is highest in communities that had been dominated by one or two companies prior to 1989. This is an important issue. The Russian Federation, for example, has designated 335 towns as mono-company towns, with a combined population of 16 million people. Our data show that if such communities were to diversify their economic base and provide more employment opportunities, the average magnitude of social exclusion they experience would decrease from 18 to 11 percent. This would be particularly effective for addressing social exclusion among young people. The magnitude of

social exclusion for a young person with secondary education in a rural community with only one employer is more than three times higher than for a young person with primary education in a small town with multiple employers.

Recommendations

To reduce social exclusion, governments should foster increased employment opportunities, particularly where people live in mono-company towns. Furthermore, policy makers would do well not only to boost the number of employers but also to increase social services and avenues for political representation. Local development strategies need to consider such activities when embarking upon employment generation programmes.

Furthermore, governments should address the three dimensions of social exclusion—exclusion from economic life, from social services, and from civic life and networks—in an integrated manner. Simply reducing income poverty or addressing one individual risk or driver will not eradicate social exclusion. Instead, multiple interventions, implemented in a concerted manner, reflecting the complexity of the problem, are needed.

Policy commitment with clear targets

There is a need for a long-term policy commitment to social inclusion. Social inclusion should be as high on policy agendas as economic growth or poverty reduction. As a first step, governments need to adopt *well-defined strategies* for combating social exclusion, with clear responsibilities and a designated lead agency. The experience of EU member states—although developed and tested in a different economic and political context—can be useful in that regard. Political will is also necessary to implement evidence-based policies with clear social inclusion targets and measurable indicators.

Political commitments need to be matched by well-defined targets and transparent monitoring based on relevant indicators. Without the accountability stemming from using such targets and progress indicators in a robust and independent monitoring and evaluation system, social inclusion will remain a slogan. The indicators proposed in this report can act as guiding examples and

starting points for developing and further tailoring indicators to national and sub-national contexts.

Preventive focus on individual vulnerabilities

Addressing individual risks that make people vulnerable to exclusion before those risks translate into social exclusion should take place in two areas that complement and reinforce each other. The first encompasses the entire range of social services that improve individuals' capacity to respond to exclusion risks. The second area largely falls under social protection and social safety nets.

■ Basic services should be accessible to all. They should be appropriate, adaptive and flexible. The provision of quality and accessible education, health, housing, water, sanitation and transportation services is vital to break the intergenerational cycle of social exclusion in the region. Improving access to these services for all is a prerequisite for addressing inequality and social exclusion.

■ Accessible education that adapts to the changing economic and social environment is particularly important in the context of social inclusion. Educational systems' performance outcomes materialize over generations. In the region, the achievements of the previous system are often perceived as 'given' – which they are not. In fact, while the post-transition averages do not place the region behind other regions of similar development levels, these countries were distinctly ahead in such comparisons two decades ago. Moreover, some countries have gone through a marked absolute worsening. Understanding the momentum of the educational systems and their potential role in the social exclusion chain is crucial for social inclusion.

■ Social policies are not currently fulfilling their potential to promote social inclusion. A legacy of category-based social protection and a combination of legalism in terms of formal rights and discretion in the front-line bureaucracy, along with stigma, discrimination and formalistic approaches led to increasingly poorly targeted benefits. A good short-to-medium-term approach would be to focus on universal child benefits and the provision of quality social services and adequate social pensions. Much could be achieved within the existing fiscal envelope, if the reallocation of resources

were based on sound first principles, focusing on actual needs and effective impact monitoring.

■ Employability and inclusive markets matter. An important way to promote both employment opportunities for population groups at risk of social exclusion and a mindset change in society at large is to improve the employability of the labour force through improved vocational education, active labour market policies and through developing or strengthening the small-scale private sector, including the social economy.

Clear focus on people's capacities

For social inclusion policies to yield results, they need to aim for changes in norms and institutions to enable them to identify and expand people's capacities and opportunities. The report argues for inclusive institutions, education and labour market policies to support inclusive, diversified growth and to help change mindsets. These would gradually change the drivers of social exclusion to begin acting as drivers for inclusion, and raise tolerance in society.

■ Governments have a clear responsibility for defining and enforcing equal 'rules of the game' and preventing market failures. For that purpose, improving the quality of governance is highly important and entails improving accountability, strengthening national institutions and increasing their transparency, thereby decreasing corruption. It also entails increasing the government's effectiveness in the provision of public services. These steps would bridge the gap between citizens and the state making the former more willing to identify with—and be part of, included in—the scope of activities of the latter.

■ People and their well-being are the ultimate objectives of economic development. It is of utmost importance that any model of development needs to be more oriented towards sustainable sources of growth and less concentrated in the capital cities. Only then can growth markedly reduce the magnitude and depth of social exclusion.

■ Diversifying development opportunities is a critical dimension of inclusive growth. It entails policies that increase the chances for starting small- and medium-sized enterprises, decrease the dependency of local authorities on central transfers while giving

them more responsibility for budget use, and strengthening mechanisms to make them accountable to local populations; stimulate local economic development, and 'crowd in' private investment by providing an improved business climate, infrastructure, and communication.

Deliberate efforts to change mindsets

Even the best-crafted policies will not do much unless they resonate with the expectations of responsive and supportive constituencies. To have lasting positive effect, policies need to be communicated to the public and the public needs to see them as legitimate and in society's interest. Seen from that perspective, changing mindsets towards universally accepted values has immediate policy relevance. Values have shifted during transition. For example, in Central Asia the wholesale rejection of the previous system's values is resulting in a return to traditional gender and cultural norms, which can create new sources of exclusion for women. Decreasing levels of solidarity in combination with intolerance to diversity can result in increasing discrimination against ethnic minorities, persons with disabilities, people with different sex-

ual orientation, people living with HIV, and former prisoners. Two additional features stand out:

■ *Changing mindsets requires long-term approaches.* These include strengthening comprehensive anti-discrimination laws, policies and institutional mechanisms based on respect for human rights, dignity and freedom matched by implementation capacity. Weak legal frameworks and institutions result in low levels of acceptance of inclusive measures (such as inclusive education), and hence also need to be targeted by policies.

■ *Changing mindsets in minority populations is also important.* Inclusion is a two-sided process in which both the excluded and the majority population must accept and accommodate the characteristics of the other.

Implementing these recommendations will not guarantee success. The process will differ from country to country. But applying the policies outlined in this report will bring us one step closer to a more efficient and sustainable society—one where people can realize their full potential.